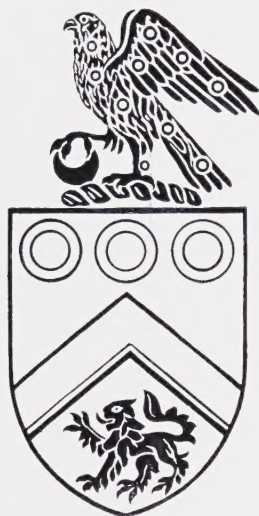


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HAMBRO CANADA (1972) LIMITED



1972 ANNUAL REPORT

HAMBRO CANADA (1972) LIMITED

BOARD OF DIRECTORS

E. R. E. CARTER*
P. C. FINLAY, Q.C.
C. E. A. HAMBRO
R. N. HAMBRO
P. D. HILL-WOOD
F. H. McNEIL*
K. A. ROBERTS*†
J. B. L. THOMAS*
J. L. TOOLE†
C. F. WATSON†
R. A. WHEELER
P. C. WOOD

*Member of Executive Committee

†Member of Audit Committee

OFFICERS

C. E. A. HAMBRO
Chairman of the Board
K. A. ROBERTS
Deputy Chairman of the Board
E. R. E. CARTER
President and Chief Executive Officer
H. F. TENNEY, Q.C.
Vice-President (Corporate Affairs)
J. B. L. THOMAS
Vice-President (Finance) and Treasurer
P. C. FINLAY, Q.C.
Secretary
S. A. SENN, C.A.
Comptroller

HEAD OFFICE

SUITE 1104, ROYAL TRUST TOWER,
TORONTO-DOMINION CENTRE,
TORONTO M5K 1H6

HAMBRO CANADA (1972) LIMITED

TO THE SHAREHOLDERS:

The corporate developments during 1972 in Canadian Goldale Corporation Limited and Hambro Corporation of Canada Limited culminating in a merger of interests in December last and certain transactions effected so far in 1973 have, of necessity, required extensive financial statements. These are presented herewith. They provide a full background of information as to the basis of Hambro Canada (1972) Limited and its principal interests. Your attention is directed particularly to Notes 1, 2 and 3 thereto—"Share Exchange and Basis of Accounting", "Shareholders' Equity" and "Principles of Consolidation"—which describe the principles on which the merger of interests was effected. Also of significance is Note 16—"Subsequent Events and Pro Forma Balance Sheet"—which, when read in conjunction with the Appendices thereto and the figures included in the Pro Forma Consolidated Balance Sheet and the Group Diagram, provide an up-to-date presentation of the Group.

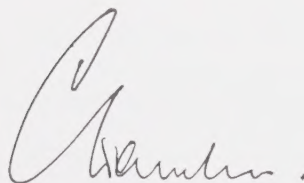
1972 was a year of determined action and accomplishment. A varied and attractive asset spread with good growth potential has been established with important interests in real estate, finance, food services, merchandising and large equity positions in a limited number of listed companies. Moreover, an ability to use merchant banking techniques to sound effect has been demonstrated.

With regret we record the passing in February, 1973 of Mr. J. Leonard Walker, President and Chief Executive Officer of Bank of Montreal who was a wise and considerate colleague and made a real contribution to your Company.

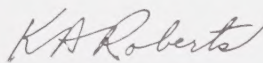
The vacancy on your Board has been filled by Mr. H. Fred McNeil, President and Chief Operating Officer, Bank of Montreal.

We believe that our Group results for 1973 will be satisfactory. We intend not only to proceed with the further consolidation and advancement of the Group interests but also to seek participations in other fields. Our organization is in good order, our asset base is growing and we are confident of our ability to make progress.

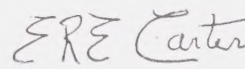
On behalf of the Board of Directors



Chairman of the Board



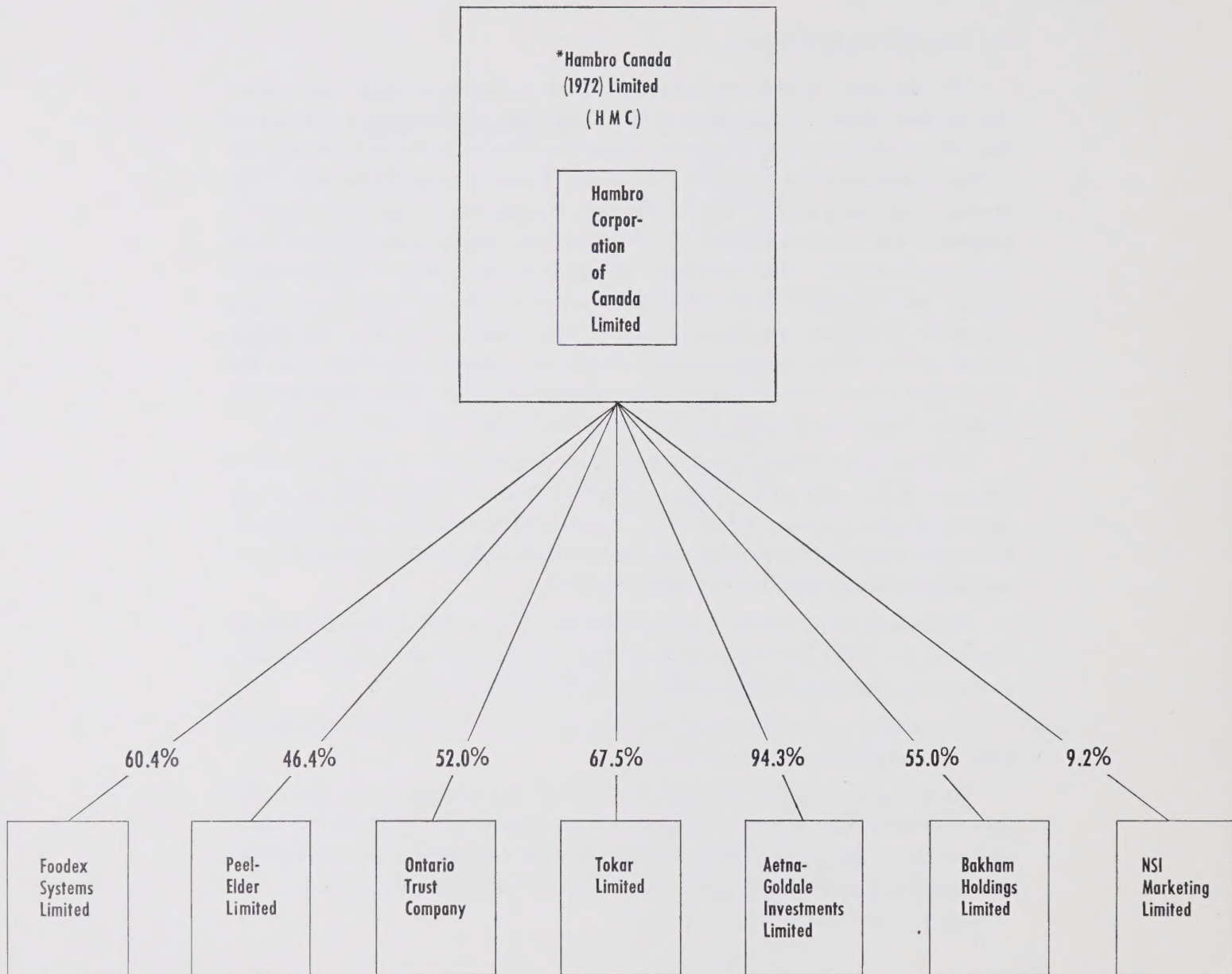
Deputy Chairman of the Board



President and Chief Executive Officer

April 11, 1973

HAMBRO CANADA (1972) LIMITED



*Hambro Canada (1972) Limited and its 99.8% owned subsidiary, Hambro Corporation of Canada Limited, are considered as a single entity.

As of April 11, 1973

REVIEW OF GROUP HOLDINGS

FOODEX SYSTEMS LIMITED

The shares of Foodex are listed on the Toronto and Canadian Stock Exchanges.

Foodex is a holding and operating company engaged principally in food services and accommodation. In addition, Foodex through a 56.3% owned subsidiary controls three racetracks in the United States.

(Reference is made to the Financial Statements, Note 4 and Appendix A and Note C thereto for information as to HMC's acquisition of its holding in Foodex and its share of Foodex' 1972 net income.)

FINANCIAL HIGHLIGHTS

	<u>1972</u>	<u>Per Share</u>	<u>1971</u>	<u>Per Share</u>
Consolidated Gross Revenues - -	<u>\$36,150,284</u>		<u>\$30,654,078</u>	
Income before extraordinary items	<u>1,020,880</u>	<u>.25</u>	<u>211,788</u>	<u>.05</u>
Net Profit for the year - - - -	<u>1,030,541</u>	<u>.25</u>	<u>766,609</u>	<u>.19</u>
Cash flow from operations - - -	<u>3,289,653</u>	<u>.81</u>	<u>1,552,675</u>	<u>.38</u>
Shares outstanding - - - - - (weighted average)		<u>4,062,347</u>		<u>3,989,472</u>

EXCERPTS FROM THE 1972 ANNUAL REPORT

"After reflecting the three for one share split, earnings from operations increased to 25 cents a share from 5 cents in 1971. Earnings in 1973 should show a further substantial gain and the outlook for future years is bright.

Your Company's introduction into Canada (for which it has the exclusive franchise) of PONDEROSA Steak Houses has received high public acceptance. The results and projected growth dictate that PONDEROSA will be your Company's main immediate thrust. Consequently, the original PONDEROSA program has been accelerated and expanded. The present intention is to have approximately 80 company operated PONDEROSA Steak Houses in Canada by the end of 1975: at the end of 1971, three were open and two were under construction and at the end of 1972, 21 were in operation and seven were under construction. By the end of 1973, there will be 43 PONDEROSA Steak Houses operating—38 in Ontario and five in Quebec.

Eight HARVEY M. WALLBANGER Steak Emporiums had been opened at year-end. Six of these were conversions of large HONEYDEW Coffee Shops and the results justify the change. The first FOOD WORLD was opened in August and has been well received.

HONEYDEW orange drink produced higher sales and profits.

RUBY FOO's Restaurant and Motor Hotel had earnings substantially in excess of 1971; the Motor Hotel expansion has been deferred because of the acceleration of the PONDEROSA program.

FORTIER & ASSOCIATES although profitable had disappointing results.

The earnings of your 56.3% owned U.S. subsidiary The Southern Maryland Agricultural Association of Prince George's County, Maryland, Inc. improved over last year.

PONDEROSA STEAK HOUSE DIVISION

Outstanding sales and profits were realized and the decision to embark on a major expansion of PONDEROSA has proven to be well founded.

All PONDEROSA Steak Houses are company operated. This will remain your Company's policy despite numerous requests for franchises. . . .

By the end of 1973, 38 units will be in operation in Ontario and five in Quebec. The first two Quebec units will open in the Montreal area about mid-year.

Sales exceeded \$5.6 million in 1972. Three PONDEROSA units completed their first full year of operation and had sales of \$442,000, \$494,000 and \$492,000 respectively—

a unit average of \$476,000. Since year end two more units completed their first full year of operations and had sales of \$488,000 and \$590,000. The average for the five units was \$501,000.

1972 was essentially a building year. The PONDEROSA staff grew to 1,400. This should double in 1973. PONDEROSA's results reflect remarkable acceptance by the consumer of PONDEROSA's limited menu, Family Steak House concept. High standards in food quality and service and the cleanliness of our Steak Houses are the foundation of continuing success."

The other Divisions are expected to show, in 1973, equal or improved profitability compared to 1972.

PEEL-ELDER LIMITED

The shares of Peel-Elder are listed on the Toronto, Canadian, American and Pacific Coast Stock Exchanges.

Peel-Elder is a major real estate company engaged in land development, new residential, industrial and commercial construction and the ownership and management of diversified properties.

(Reference is made to the Financial Statements, Note 16, Appendix A and Note F thereto for information as to HMC's acquisition of its holding in Peel-Elder and its share of Peel-Elder's 1972 net income.)

FINANCIAL HIGHLIGHTS

	<u>1972</u>	<u>1971</u>
Net Profit for the Year - - - - -	\$ 1,326,646	\$ 1,134,312
Per Share - - - - -	90c	\$1.00
Cash Flow from Operations - - - - -	\$ 2,708,212	\$ 2,244,912
Per Share - - - - -	\$1.82	\$1.97
Average Number of Shares Outstanding - - - - -	1,484,994	1,137,707
Total Assets - - - - -	\$80,532,902*	\$34,562,466

*Proforma January 1973

EXCERPTS FROM THE 1972 ANNUAL REPORT

"Compared to December 31, 1971 the Company's 100% owned investment properties are:

	<u>Presently Held</u>	<u>Held at December 31, 1971</u>
Shopping Centres		
—net retail selling space - - - - -	1,166,889 sq. ft.	629,362 sq. ft.
Apartment Units		
—completed - - - - -	2,025 units	861 units
—under construction - - - - -	915 units	160 units

In addition the Company has a 50% interest in 1,039 apartment units.

The Company's land holdings have also increased substantially through the acquisition of the remaining 50% joint-venture interest in Peel Village Highlands located in the City of Cambridge, Ontario, and through the acquisition of land in Metropolitan Toronto zoned for approximately 2,000 residential units.

In 1973 the Company will receive a higher level of income from its enlarged investment properties portfolio and this portfolio will again increase as the Company continues to implement its shopping centre expansion program and as apartment construction progresses.

Land values in and around Metropolitan Toronto have recently risen at an unprecedented pace due largely to extremely heavy demand for new homes. Your Company is fortunate to include among its assets land purchased over many years at well below current market prices which will enable it to compete aggressively in the new home market during 1973."

ONTARIO TRUST COMPANY

The shares of Ontario Trust are listed on The Toronto Stock Exchange.

Ontario Trust emerged on December 31, 1971 as a result of the amalgamation of Northland Trust Company and Central Ontario Trust & Savings Corporation (under the name Ontario Trust Company) and the purchase by the amalgamated company as of that date of the assets of Central Ontario Savings & Loan Corporation. Ontario Trust offers full trust services to more than 100,000 customers through its 15 branches in Ontario, is a member of the Canada Deposit Insurance Corporation and had total assets of \$136 million at December 31, 1972.

(Reference is made to the Financial Statements, Appendix A and Note D thereto for information as to HMC's holding in Ontario Trust and its share of Ontario Trust's 1972 net income.)

FINANCIAL HIGHLIGHTS

	<u>1972</u>	<u>1971</u>
Total Assets - - - - -	\$136,149,000	\$103,554,000
Total Deposits - - - - -	125,091,000	95,966,000
Net Operating Profit for the Year - - - - -	736,000	287,000
Net profit for the Year - - - - -	736,000	581,000

EXCERPTS FROM THE 1972 ANNUAL REPORT

"Operating Profit

During the year considerable progress was made in making more effective use of the funds available for investment and this resulted in an increase in the average spread between the cost of borrowed funds and the return on investment. As a result income before security gains and extraordinary items amounted to \$736,000 compared with \$287,000 in the previous year for an increase of \$449,000 or 156%. Based on the average number of shares outstanding these earnings per share amounted to 50c compared with 26c. The fact that the percentage increase in per share earnings is not as great as the percentage increase in gross revenue, is the result of the increased number of shares outstanding following the placement of 400,000 treasury shares with a number of institutional and private investors early in the year. . . .

Deposits

During the year deposits increased by \$29,125,000. . . . The current ratio of deposits to reserves allows for a substantial increase in our borrowing and this in turn provides us with the opportunity to continue expanding our money market operation in 1973, in addition to our planned increase in demand deposits and Guaranteed Investment Certificates.

Mortgages

An important factor in the improved operating results was the increase in our mortgage portfolio. During the year mortgage commitments in excess of \$35 million were approved while actual funding in new mortgage loans exceeded \$28 million. The fact that the total value of the mortgage portfolio at the beginning of the year amounted to \$72 million after many years of operation and that \$35 million was committed in new mortgages in 1972, underlines the dramatic increase in the volume of our mortgage business. While we continue active in our traditional role of providing mortgage financing on new residential construction in the Metropolitan Toronto

area, we are also expanding our mortgage lending throughout our branch system. We are now receiving a steady flow of mortgages from our branches covering all types of mortgage loans including construction loans, resales and refinancing. . . .”

Ontario Trust intends to expand its business in the fields of retirement savings plans and consumer loans. Also, several new branches are planned.

TOKAR LIMITED

Tokar is a holding and investment company whose shares are listed on the Vancouver Stock Exchange. Tokar owns 1,135,559 shares of HMC.

As a result of its sale of all the issued shares of the wholly-owned subsidiary Diversco Holdings and Industries Limited as of January 2, 1973 to a subsidiary of Peel-Elder for \$2,600,000, Tokar has repaid its bank indebtedness and has a cash surplus in excess of \$200,000. At a special general meeting of shareholders on April 10, 1973, that sale was approved and the Tokar directors were authorized to sell any or all of the 1,135,559 HMC shares to HMC whether by tender in response to an invitation therefor or in any other manner whatsoever and at such time or times and such price or prices as the Tokar directors may from time to time determine. The Tokar directors believe that, if done, this would be in the best interests of Tokar as it would place Tokar in an even stronger cash position to consider future opportunities.

AETNA-GOLDALE INVESTMENTS LIMITED

Aetna-Goldale is a holding and investment company whose shares are listed on the Toronto and Vancouver Stock Exchanges.

During 1972 Aetna-Goldale disposed of its holding of shares in Ontario Trust to HMC and the major part of its real estate holdings to a subsidiary of Peel-Elder. Additional real estate under development was sold to the Peel-Elder group as of January 1, 1973. These transactions enabled Aetna-Goldale to pay off substantial short term indebtedness to HMC and to remove itself from direct involvement in real estate development in which it had, for several years, relied on the Peel-Elder group for management. Net assets presently amount to approximately \$3.8 million after providing in full for income tax of \$462,000 currently being assessed in respect of previous years and which is being appealed by Aetna-Goldale. The assets of Aetna-Goldale are now largely liquid placing it in a position to participate in appropriate investments.

NSI MARKETING LIMITED

The shares of NSI are listed on the Toronto Stock Exchange.

NSI is engaged in the mass merchandising of home entertainment and other consumer products largely through periodic direct mailings to customers of corporations with credit card arrangements giving NSI access to approximately 8,000,000 households in Canada and the United States. NSI is also one of the largest firms in Canada in the business of designing and implementing sales promotion and various motivational incentive programs.

BAKHAM HOLDINGS LTD.

(Reference is made to the Financial Statements, Appendix A and Note D thereto for information as to HMC's holding in Bakham and HMC's share of Bakham's 1972 net income.)

Bakham was incorporated in 1971 and acquired pursuant to a public take-over bid, approximately 97% of the outstanding shares of The Winnipeg Supply & Fuel Company, Limited which was involved in real estate, fuel oil, concrete, building supplies and other activities. Since the acquisition, a rationalization and reorganization of its business has been implemented including the disposal of certain of its assets at prices substantially in excess of their indirect cost.

HAMBRO CANADA (1972) LIMITED

(formerly Canadian Goldale Corporation Limited)

AND SUBSIDIARY COMPANIES

AUDITORS' REPORT

To the Shareholders of

HAMBRO CANADA (1972) LIMITED:

We have examined the consolidated balance sheet, pro forma consolidated balance sheet, consolidated summary of investments and pro forma consolidated summary of investments of Hambro Canada (1972) Limited (formerly Canadian Goldale Corporation Limited) as at December 31, 1972 and the consolidated statements of earnings, retained earnings and changes in financial position for the nine months then ended. For Hambro Canada (1972) Limited and its consolidated subsidiaries and for those companies accounted for by the equity method of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For all other companies accounted for by the equity method we have relied on the reports of the auditors who examined their financial statements.

In our opinion:

- (a) The accompanying consolidated balance sheet, consolidated summary of investments and consolidated statements of earnings, retained earnings and changes in financial position present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the changes in their financial position for the nine months then ended;
- (b) The accompanying pro forma consolidated balance sheet and pro forma consolidated summary of investments present fairly the financial position of the companies as at December 31, 1972 after giving effect to the transactions set forth in note 16 to the consolidated financial statements,

all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in basis of accounting described in note 5 to the consolidated financial statements.

Toronto, Canada,
March 16, 1973.

CLARKSON, GORDON & CO.
Chartered Accountants

HAMBRO CANADA (1972) LIMITED

(Formerly Canadian Goldale Corporation Limited)

AND SUBSIDIARY COMPANIES

ASSETS

	Hambro Canada (1972) Limited		
	December 31, 1972 (note 1)	Pro Forma December 31, 1972 (note 16)	Hambro Corporation of Canada Limited March 31, 1972 (note 1(c))
Cash and bank deposit receipts - - - - -	\$ 2,012,000	\$ 2,012,000	\$ 2,561,000
Trading securities, at the lower of average cost and market (quoted market value \$7,501,000; March 31, 1972—\$8,650,000) (notes 5 and 6) - -	7,484,000	7,484,000	8,042,000
Receivables:			
Accounts and loans receivable - - - - -	2,003,000	1,970,000	3,142,000
Mortgages receivable and balance due under sale agreement (note 7) - - - - -	2,340,000	1,726,000	—
Receivable on delivery of securities - - - - -	—	—	178,000
	4,343,000	3,696,000	3,320,000
Investments (see Consolidated Summary of Investments) (note 6) - - - - -	48,187,000	49,171,000	15,157,000
Real estate:			
Land held for development and sale, at cost - -	1,724,000	—	—
Income-producing properties, at cost less accumulated depreciation of \$637,000 (note 8)-	9,959,000	—	—
Townhouses under construction, at cost - - -	535,000	—	—
	12,218,000	—	—
Other:			
Fixed assets, at cost less accumulated depreciation of \$30,000; (March 31, 1972— \$9,000) - - - - -	44,000	36,000	41,000
Deferred expenses and other assets - - - - -	117,000	9,000	38,000
	161,000	45,000	79,000
	\$74,405,000	\$62,408,000	\$29,159,000

(See accompanying notes to consolidated financial statements)

CONSOLIDATED BALANCE SHEET
and
PRO FORMA CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1972

(with comparative figures of Hambro Corporation of Canada Limited
at March 31, 1972)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Hambro Canada (1972) Limited		
	December 31, 1972 (note 1)	Pro Forma December 31, 1972 (note 16)	Hambro Corporation of Canada Limited March 31, 1972 (note 1(c))
Liabilities:			
Bank demand loans (note 6) - - - - -	\$11,866,000	\$ 9,771,000	\$ 2,959,000
Accounts payable and accrued - - - - -	792,000	645,000	115,000
Payable on receipt of securities - - - - -	1,320,000	1,320,000	5,191,000
Income and other taxes payable (note 14) - - -	610,000	1,156,000	194,000
Tenants' rental deposits - - - - -	142,000	—	—
Bank term loans (note 6) - - - - -	15,000,000	15,000,000	—
Mortgages payable and balance due under sale agreement (note 9) - - - - -	9,981,000	—	—
Deferred income taxes - - - - -	324,000	146,000	—
	<u>40,035,000</u>	<u>28,038,000</u>	<u>8,459,000</u>
Minority interest (note 10) - - - - -	<u>2,986,000</u>	<u>2,986,000</u>	<u>—</u>
Shareholders' equity (note 2):			
Capital - - - - -	33,861,000	33,509,000	7,898,000
Contributed surplus - - - - -	605,000	605,000	3,945,000
Retained earnings - - - - -	<u>3,673,000</u>	<u>4,025,000</u>	<u>8,857,000</u>
	38,139,000	38,139,000	20,700,000
Less cost of interest (64.85%) in 1,135,559 shares of the Company held by a subsidiary (note 4(b)) - - - - -	<u>6,755,000</u>	<u>6,755,000</u>	<u>—</u>
	<u>31,384,000</u>	<u>31,384,000</u>	<u>20,700,000</u>
On behalf of the Board:			
<i>KARoberts</i> Director			
<i>ERE Carter</i> Director			
	<u>\$74,405,000</u>	<u>\$62,408,000</u>	<u>\$29,159,000</u>

(See accompanying notes to consolidated financial statements)

HAMBRO CANADA (1972) LIMITED

(Formerly Canadian Goldale Corporation Limited)

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS FOR THE NINE MONTHS ENDED DECEMBER 31, 1972

(with comparative figures of Hambro Corporation of Canada Limited
for the twelve months ended March 31, 1972)

	Hambro Canada (1972) Limited Nine months ended December 31, 1972 (note 1(c))	Hambro Corporation of Canada Limited Twelve months ended March 31, 1972 (note 1(c))
Financial activities:		
Profit on security trading (note 5) - - - - -	\$ 554,000	\$ 595,000
Dividends and interest - - - - -	371,000	327,000
Net gain on investment portfolio changes - - - - -	1,407,000	660,000
Equity in earnings of:		
Unconsolidated subsidiaries - - - - -	704,000	—
Other associated companies - - - - -	780,000	7,000
Management fees and other income - - - - -	48,000	57,000
	<u>3,864,000</u>	<u>1,646,000</u>
Real estate activities (note 8):		
Rentals from income-producing properties - - - - -	437,000	—
Equity in earnings of joint realty developments - - - - -	62,000	—
	<u>499,000</u>	<u>—</u>
Less operating costs of income-producing properties including interest of \$144,000 and depreciation of \$32,000 - - - - -	445,000	—
	<u>54,000</u>	<u>—</u>
Earnings before the undernoted - - - - -	<u>3,918,000</u>	<u>—</u>
General and administrative expense - - - - -	388,000	269,000
Interest - - - - -	963,000	18,000
Depreciation - - - - -	6,000	7,000
	<u>1,357,000</u>	<u>294,000</u>
Minority interest (note 10) - - - - -	113,000	—
	<u>1,470,000</u>	<u>294,000</u>
Earnings before income taxes and extraordinary items - - - - -	2,448,000	1,352,000
Income taxes—current - - - - -	187,000	332,000
	<u>2,261,000</u>	<u>1,020,000</u>
Earnings before extraordinary items - - - - -	2,261,000	1,020,000
Extraordinary items (note 12) - - - - -	—	145,000
	<u>\$ 2,261,000</u>	<u>\$ 1,165,000</u>
Earnings for the period - - - - -	<u>\$ 2,261,000</u>	<u>\$ 1,165,000</u>
Earnings per share (note 13):		
Earnings before extraordinary items - - - - -	\$ 0.40	\$ 0.19
Earnings for the period - - - - -	<u>\$ 0.40</u>	<u>\$ 0.22</u>

(See accompanying notes to consolidated financial statements)

HAMBRO CANADA (1972) LIMITED

(Formerly Canadian Goldale Corporation Limited)

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS FOR THE NINE MONTHS ENDED DECEMBER 31, 1972

(with comparative figures of Hambro Corporation of Canada Limited
for the twelve months ended March 31, 1972)

	Hambro Canada (1972) Limited Nine months ended December 31, 1972 (note 1(c))	Hambro Corporation of Canada Limited Twelve months ended March 31, 1972 (note 1(c))
Retained earnings, beginning of period:		
As previously reported - - - - -	\$ 8,756,000	\$ 7,931,000
Adjustment arising from change in basis of valuation of trading securities (note 5) - - - - -	101,000	7,000
As restated - - - - -	8,857,000	7,938,000
Earnings for the period - - - - -	2,261,000	1,165,000
	11,118,000	9,103,000
Less adjustments arising on acquisition of Canadian Goldale Corporation Limited:		
—to restate retained earnings (note 2(d)) - - - - -	7,398,000	—
—on subsequent realization of purchase discrepancy arising on acquisition (note 2(e)) - - - - -	(223,000)	—
—minority interest (.79%) in Hambro Corporation of Canada Limited (notes 1 and 2(c)) - - - - -	77,000	—
	7,252,000	—
	3,866,000	—
Less share issue and other costs relating to share exchange (net of tax of \$143,000) - - - - -	159,000	—
	3,707,000	—
Dividends declared on:		
Preferred shares prior to September 30, 1972 - - - - -	34,000	138,000
Common shares - - - - -	—	108,000
	34,000	246,000
Retained earnings, end of period - - - - -	\$ 3,673,000	\$ 8,857,000

(See accompanying notes to consolidated financial statements)

HAMBRO CANADA (1972) LIMITED

(Formerly Canadian Goldale Corporation Limited)

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE NINE MONTHS ENDED DECEMBER 31, 1972

(with comparative figures of Hambro Corporation of Canada Limited
for the twelve months ended March 31, 1972)

	Hambro Canada (1972) Limited	Hambro Corporation of Canada Limited
	Nine months ended December 31, 1972	Twelve months ended March 31, 1972
	(note 1(c))	(note 1(c))
Source of funds:		
Proceeds on the sale of—trading securities - - - - -	\$12,419,000	\$ 4,587,000
—investment securities - - - - -	3,169,000	9,857,000
	15,588,000	14,444,000
Increase in bank borrowings—demand - - - - -	6,472,000	2,959,000
—term - - - - -	15,000,000	—
Dividends, interest and management fee income - - - - -	419,000	384,000
Contribution of real estate activities - - - - -	24,000*	—
Reduction (increase) in cash and bank deposit receipts - - - - -	2,812,000	(1,322,000)
Reduction (increase) in accounts and loans receivable - - - - -	2,255,000	(2,660,000)
	42,570,000	13,805,000
Total consideration attributed to increase in capital - - - - -	18,041,000	—
Less ascribed to acquisition of Canadian Goldale Corporation Limited (note 1) - - - - -	15,720,000	—
Shares issued for cash - - - - -	2,321,000	—
	\$44,891,000	\$13,805,000
Uses of funds:		
General operating expenses, including income taxes - - - - -	1,657,000	626,000
Deduct charges not requiring an outlay of funds—		
Depreciation - - - - -	(6,000)	(7,000)
Minority interest (net of dividends paid) - - - - -	(79,000)	—
	1,572,000	619,000
Acquisitions:		
Foodex Systems Limited (note 4(a)) - - - - -	14,343,000	—
Tokar Limited (note 4(b)) - - - - -	6,934,000	—
Other investment securities - - - - -	1,769,000	7,246,000
Trading securities - - - - -	11,307,000	11,303,000
	34,353,000	18,549,000
Purchase for cancellation of debentures of Canadian Goldale Corporation Limited - - - - -	4,777,000	—
Reduction (increase) in amounts payable on receipt of securities -	3,871,000	(5,190,000)
Other (net) - - - - -	318,000	(173,000)
	8,966,000	(5,363,000)
	\$44,891,000	\$13,805,000
*Contribution of real estate activities consists of:		
Earnings per consolidated statement of earnings - - - - -	\$ 54,000	
Add depreciation, a charge not requiring an outlay of funds -	32,000	
Deduct equity in earnings of joint realty developments, a credit not resulting in an inflow of funds - - - - -	(62,000)	
	\$ 24,000	

(See accompanying notes to consolidated financial statements)

- (ii) Comparative figures for the prior period shown in the accompanying financial statements are those of H.C.C.

Financial information as to Canadian Goldale for the period from January 1, 1972 to September 30, 1972, the date of deemed acquisition by H.C.C., is summarized in Appendix B to these financial statements.

2. SHAREHOLDERS' EQUITY

- (a) Shareholders' equity at December 31, 1972 and March 31, 1972 consists of the following balances:

	December 31, 1972	March 31, 1972
Capital:		
Shares of Hambro Canada (1972) Limited—7,911,735 shares - - -	\$33,861,000	
Shares of Hambro Corporation of Canada Limited—		
100,000 5½% preferred shares (note 10) - - - - -		\$ 2,500,000
1,079,550 common shares - - - - -		5,398,000
		<u>7,898,000</u>
Contributed surplus - - - - -	605,000	3,945,000
Retained earnings - - - - -	3,673,000	8,857,000
	<u>38,139,000</u>	<u>20,700,000</u>
Less cost of interest (64.85%) in 1,135,559 shares of the Company held by a subsidiary (note 4(b)) - - - - -	6,755,000	
	<u>\$31,384,000</u>	<u>\$20,700,000</u>

- (b) The amount shown for capital of Hambro '72 at December 31, 1972 is made up as follows:
Authorized—10,000,000 shares of no par value
Issued (note 11)—

	Number of Shares	Amount
Shares of Canadian Goldale issued prior to exchange of shares for shares of H.C.C. - - - - -	2,858,124	\$22,044,000
Shares of Canadian Goldale issued in exchange for H.C.C. shares at \$5.50 per share - - - - -	5,053,611	27,795,000
Total paid-up capital at December 31, 1972 - - - - -	7,911,735	49,839,000
Less adjustments required by principles of accounting for business combinations* - - - - -		15,978,000
	<u>7,911,735</u>	<u>\$33,861,000</u>

*These adjustments comprise:

- (i) The amount by which the legal paid-up capital of Canadian Goldale shares issued in 1969 for shares of a subsidiary exceeded the value ascribed under "pooling of interest" basis of accounting - - - - - \$12,796,000
- (ii) In respect of shares issued in exchange for H.C.C. shares—
Excess of amount credited to paid-up capital on issue of shares for H.C.C. over book value of H.C.C. net assets at September 30, 1972 (net of minority interest) - 6,500,000
Less excess of ascribed fair value of net assets of Canadian Goldale over their book value at September 30, 1972 - - - - - \$ 3,541,000
Less portion realized subsequent to September 30, 1972 (note 2(e)) - - - - - 223,000
3,318,000
3,182,000
Total adjustment - - - - - \$15,978,000

(c) The following is a reconciliation between the shareholders' equity balances at March 31, 1972 and December 31, 1972:

	Preferred shares	Ordinary shares	Contributed surplus	Retained earnings	Total shareholders' equity
HAMBRO CORPORATION OF CANADA LIMITED:					
Balances shown in the accounts of H.C.C. at March 31, 1972 after adjustment to retained earnings to reflect change in basis of valuation of trading securities (note 5) - -	\$2,500,000	\$ 5,398,000 (1,079,550 sh)	\$3,945,000	\$8,857,000	\$20,700,000
Add additional common shares issued to September 30, 1972 for cash- -		595,000 (119,000 sh)	1,726,000		2,321,000
Add consolidated earnings less preferred dividends of H.C.C. of \$34,000 to September 30, 1972 - -				944,000	944,000
Balances, September 30, 1972 - -	2,500,000	5,993,000 (1,198,550 sh)	5,671,000	9,801,000	23,965,000
Portions of contributed surplus and retained earnings balances effectively capitalized on exchange of shares for shares of Canadian Goldale (note 2(d)) - - - - -		12,419,000	(5,021,000)	(7,398,000)	—
Deduct minority interests in H.C.C. preferred and common shares (note 10) - - - - -	(2,500,000)	(48,000) (9,465 sh)	(45,000)	(77,000)	(2,670,000)
Adjusted balances at September 30, 1972 for purposes of reflecting exchange of shares for shares of Canadian Goldale - - - - -		\$18,364,000 (1,189,085 sh)	\$605,000	\$2,326,000	\$21,295,000
HAMBRO CANADA (1972) LIMITED:					
Issue of 5,053,611 shares of Canadian Goldale in exchange for 1,189,085 shares of H.C.C. -		18,364,000 (5,053,611 sh)	605,000	2,326,000	21,295,000
Shares of Canadian Goldale previously outstanding at ascribed value of net assets (note 1(a)) -		15,720,000 (2,858,124 sh)			15,720,000
		34,084,000 (7,911,735 sh)	605,000	2,326,000	37,015,000
Add consolidated net earnings, October 1, 1972 to December 31, 1972 - - - - -				1,283,000	1,283,000
Adjustment (note 2(e)) - - - -		(223,000)		223,000	
Less share issue and other costs related to share exchange (net of tax of \$143,000) - - - - -				(159,000)	(159,000)
Balances at December 31, 1972 - -		\$33,861,000 (7,911,735 sh)	\$605,000	\$3,673,000	38,139,000
Less cost of interest (64.85%) in shares of the Company held by a subsidiary (note 4(b)) - - - -					6,755,000
					<u>\$31,384,000</u>

- (d) While H.C.C. is considered, for accounting purposes, to be the purchaser on the exchange of shares with Canadian Goldale, the carrying out of the transaction by means of a share issue by Canadian Goldale resulted in H.C.C. becoming a subsidiary of Canadian Goldale. Accordingly, on consolidation of the accounts of the companies, the balances of Canadian Goldale's contributed surplus and retained earnings at September 30, 1972 were carried forward with the excess of the amounts on the books of H.C.C. over these balances (net of minority interests) being effectively capitalized.
- (e) The balance of consolidated retained earnings and the carrying value of capital are subject to compensating adjustments in the future as the excess of the ascribed fair value of the net assets of Canadian Goldale at September 30, 1972 over their book value at that date is realized in subsequent transactions. Of this excess \$223,000 was realized in December 1972 and is shown as a transfer from the carrying value of capital stock to retained earnings in the reconciliation in (c) above.

3. PRINCIPLES OF CONSOLIDATION

- (a) The consolidated financial statements include the accounts of the Company and of those subsidiaries whose activities are integrated with those of the Company.
- (b) The subsidiaries which are not consolidated are Foodex Systems Limited, Ontario Trust Company and Diversco Holdings and Industries Limited (Diversco). The percentages of shares of these subsidiaries which were controlled at December 31, 1972 amounted to 60.4%, 52.0%, and 100% respectively.
These subsidiaries are accounted for on the equity basis. Under the equity basis of accounting, the investments in the subsidiaries were initially recorded in the consolidated balance sheet at cost with the carrying values adjusted to recognize the Company's share of their income subsequent to the dates of investment.
- (c) Investments in other associated companies (those in which the Company exercises significant influence with 50% or less of the voting shares) as well as investments in joint realty developments are also carried on the equity basis in the consolidated balance sheet.

4. BUSINESS ACQUISITIONS

Business acquisitions in the nine months ended December 31, 1972, in addition to the effective acquisition of Canadian Goldale as described in note 1 above, were as follows:

(a) Foodex Systems Limited (Foodex)—

On June 5, 1972 H.C.C. acquired approximately 60.4% of the now outstanding shares of Foodex (formerly CDRH Limited) for a total cash consideration of \$14,343,000.

Further information as to the investment in Foodex at date of acquisition is as follows:

Net assets of Foodex:

Fixed assets (less accumulated depreciation) and miscellaneous assets - - - - -	\$20,423,000	
Goodwill - - - - -	5,028,000	
		<u>25,451,000</u>
Less:		
Long-term debt - - - - -	8,318,000	
Deferred income taxes - - - - -	852,000	
Minority shareholders' interest - - - - -	3,682,000	
Net working capital deficiency - - - - -	<u>486,000</u>	13,338,000
Book value of net assets at date of acquisition - - - - -		12,113,000
Less minority interest in assets of Foodex - - - - -		<u>4,432,000</u>
		7,681,000
Excess of cost of shares to H.C.C. over equity in book value of Foodex net assets (including goodwill of \$5,028,000) at date of acquisition attributable to additional goodwill and other intangible assets not requiring amortization - - - - -		<u>6,662,000</u>
Cost of shares to H.C.C. - - - - -		<u>\$14,343,000</u>

(b) Tokar Limited (Tokar)—

In August 1972, H.C.C. acquired 49.9% and in December 1972 a further 14.95% of the outstanding shares of Tokar. The excess of the total cash consideration of \$6,934,000 over the underlying book value of Tokar net assets (\$5,057,000 at December 31, 1972) is all allocable to the tangible assets of Tokar.

At December 31, 1972 Tokar's assets consisted primarily of (i) a wholly-owned subsidiary (Diversco) which was sold in 1973 (see note 16) and (ii) 1,135,559 outstanding shares of the Company. The effective cost of the Company's 64.85% interest in these shares has been deducted from shareholders' equity in the accompanying Consolidated Balance Sheet.

Further information as to Foodex and Diversco is set out in the accompanying Consolidated Summary of Investments and the notes thereto.

5. CHANGE IN ACCOUNTING POLICY

In the period ended December 31, 1972, H.C.C. adopted the policy of valuing trading securities at the lower of average cost and market, as determined by comparing the aggregate cost of the portfolio with its aggregate market value. In the fiscal periods ended March 31, 1971 and March 31, 1972, the portfolio had been valued by applying the lower of cost and market valuation to each security rather than to the portfolio as a whole. Prior to March 31, 1971, trading securities had been carried at cost.

The change in valuation policy adopted in the period ended December 31, 1972 has been applied retroactively in the accompanying consolidated financial statements with the result that the carrying value of trading securities at March 31, 1972 has been restated and net earnings for the year then ended increased by \$94,000 (\$.02 per Hambro '72 share) from the amount previously reported.

6. BANK LOANS, SECURITY AND GUARANTEES

A substantial portion of the trading securities and investments have been pledged as collateral for bank loans. In addition, the bank loan of an associated company and/or its subsidiary have been guaranteed to a maximum of \$1,500,000 and the shares held in that associated company pledged in support of the guarantee.

The bank term loans bear interest at $\frac{3}{4}$ of 1% above the bank prime lending rate and are due in 1974.

7. MORTGAGES RECEIVABLE AND BALANCE DUE UNDER SALE AGREEMENT

Mortgages on real estate bearing interest at 7% to 9% and maturing from 1973 to 1981 -	\$2,226,000
Chattel mortgages and balance due under agreement of sale - - - - -	114,000
	<u>\$2,340,000</u>

Payments aggregating \$142,000 in respect of the above balances are due in 1973.

8. INCOME-PRODUCING PROPERTIES

Depreciation on buildings (\$9,100,000 net of accumulated depreciation at December 31, 1972) included in income-producing properties is calculated using the sinking fund method under which an increasing amount consisting of a fixed annual sum, together with interest computed at the rate of 5% per annum, is charged to income in order to depreciate the buildings fully over a period of forty-five years.

All the income-producing properties together with the Company's other real estate holdings were sold subsequent to December 31, 1972 (see note 16).

9. MORTGAGES PAYABLE AND BALANCE DUE UNDER PURCHASE AGREEMENT

Mortgages	
—on income-producing properties - - - - -	\$8,509,000
—on land - - - - -	90,000
Balance owing under agreement to purchase - - - - -	1,382,000
	<u>\$9,981,000</u>

The mortgages and the balance owing under the agreement to purchase bear interest at rates from 6½% to 8¾% and mature at various dates from 1973 to 1995. These obligations were assumed by the purchaser on the sale of the Company's real estate subsequent to December 31, 1972 as described in note 16.

10. MINORITY INTEREST

The balance shown for minority interest at December 31, 1972 is made up as follows:

5½% cumulative redeemable Series A preferred shares of H.C.C. of the par value of \$25 each - - - - -	\$2,500,000*
Interest of minority common shareholders of H.C.C. in net equity of that company -	180,000
Minority interest in other consolidated subsidiaries - - - - -	306,000
	<u>\$2,986,000</u>

*Because the acquisition by H.C.C. of Canadian Goldale (note 1) was carried out by means of a share issue by Canadian Goldale, the preferred shares previously issued by H.C.C. are no longer part of the legal capital of the continuing entity. They are therefore treated as forming part of minority interest. These preferred shares are redeemable at a premium of 4½% on or before February 1, 1976, 3½% thereafter to February 1, 1981, 2½% thereafter to February 1, 1986 and 1½% thereafter.

11. STOCK OPTIONS AND SHARE PURCHASE PLAN

A total of 30,000 shares of the Company's authorized but unissued share capital is reserved in respect of an option held by an officer of the Company to purchase 30,000 shares at \$12 per share on or before July 29, 1974.

Subsequent to the year end the Company established a stock purchase plan for certain officers of the Company. Under the plan 100,000 shares were issued at \$9.00 per share with the issue price payable in 1978.

12. EXTRAORDINARY ITEMS

	Hambro Corporation of Canada Limited 12 months ended March 31, 1972
Reduction of income taxes resulting from carry-forward of prior years' losses - -	\$ 79,000
Foreign exchange gain - - - - -	103,000
Other - - - - -	<u>(37,000)</u>
	<u>\$145,000</u>

13. EARNINGS PER SHARE

The calculations of earnings per share are based on the weighted average of the equivalent number of Company shares outstanding throughout the period (5,676,969 shares in the nine months ended December 31, 1972) determined as follows:

- for the period from September 30, 1972, the weighted average number of shares of the Company outstanding after giving effect to the share exchange explained in note 1. In this calculation the Company's proportion of shares of the Company held by Tokar from the effective date of acquisition has been deducted (note 4(b)).
- for periods preceding September 30, 1972, a weighted average of the number of Company shares equivalent (at 4¼ to 1) to the then outstanding number of H.C.C. common shares.

The exercise of the outstanding stock option and the issue of shares under the stock purchase plan (see note 11) would not have any significant dilutive effect on earnings per share.

14. INCOME TAXES

- An assessment by the Department of National Revenue of the computation of Canadian Goldale's taxable income for the years 1967 to 1971 is in progress. The Company's opinion regarding certain items is at variance with that of the Department and the Company is disputing all such items. However, \$429,000 has been provided by Canadian Goldale against the eventuality that the Department of National Revenue will levy tax with respect to all items under dispute.

- (b) A subsidiary of Canadian Goldale has received a notice from the Department of National Revenue assessing additional income taxes (including interest thereon) of \$462,000 with respect to certain gains realized in prior years. Although the subsidiary intends to oppose this assessment, full provision has been made for the amount thereof.

The above provisions relate to periods prior to the date of effective acquisition of Canadian Goldale by H.C.C. and accordingly have no effect on consolidated earnings for the nine months ended December 31, 1972.

15. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration of Directors and Senior Officers for nine months ended December 31, 1972 was \$57,350 (12 months ended March 31, 1972—\$51,410).

16. SUBSEQUENT EVENTS AND PRO FORMA BALANCE SHEET

On January 1, 1973 the Company and its 94% owned subsidiary, Aetna-Goldale Investments Limited, sold their real estate holdings and certain other related net assets at their consolidated book values. The consideration on the sale of these assets included the assumption by the purchasers of all related indebtedness. These sales were in part to Diversco, the wholly-owned subsidiary of Tokar, and in part to Peel Village Developments Co. Limited, a wholly-owned subsidiary of Peel-Elder Limited (35% controlled by Hambro '72 at December 31, 1972).

After completion of these transactions, Tokar sold its shareholdings in Diversco to Peel Village Developments Co. Limited. Subsequently, the Company increased its interest in the share capital of Peel-Elder Limited to 45.8% at a cost of \$5,000,000.

The effect of these transactions on the assets and liabilities shown in the accompanying balance sheet at December 31, 1972 was as follows:

Asset reductions:		
Mortgages receivable - - - - -		\$ 614,000
Investments—		
In Diversco - - - - -		2,600,000
In joint realty developments - - - - -		1,416,000
Land held for development and sale - - - - -		1,724,000
Income-producing properties - - - - -		9,959,000
Townhouses under construction - - - - -		535,000
Other, including accounts receivable, fixed assets and deferred expenses -		149,000
		<u>16,997,000</u>
Net liabilities reduction:		
Reductions in—		
Accounts payable and accrued - - - - -	147,000	
Tenants' rental deposits - - - - -	142,000	
Mortgages, notes and similar indebtedness - - - - -	9,981,000	
Deferred income taxes - - - - -	178,000	
	<u>10,448,000</u>	
Less increase in income and other taxes payable - - - - -	546,000	<u>9,902,000</u>
Cash consideration on sale of real estate, related net assets and investment in Diversco - - - - -		<u>\$ 7,095,000</u>
Applied to:		
Reduction in bank demand loans - - - - -	\$ 2,095,000	
Increase in investment in Peel-Elder Limited - - - - -	5,000,000	
		<u>\$ 7,095,000</u>

The aforementioned transactions also resulted in the realization of a further portion of the excess of the ascribed fair value of the net assets of Canadian Goldale over the book value at September 30, 1972 giving rise to an increase in consolidated retained earnings of \$352,000 and an equal reduction in the amount shown for capital stock (see note 2(e)).

The accompanying Pro Forma Consolidated Balance Sheet and Pro Forma Consolidated Summary of Investments give effect, as at December 31, 1972, to the above transactions.

HAMBRO CANADA (1972) LIMITED

(Formerly Canadian Goldale Corporation Limited)

AND SUBSIDIARY COMPANIES

Hambro Canada (1972) Limited			
December 31, 1972			
	Percentages of shares controlled ***	Quoted market value (note A)	Carrying value
Associated companies, at equity (note B):			
Unconsolidated subsidiaries—			
Foodex Systems Limited (note C) - - - - -	60.4%	\$27,367,000	\$14,764,000
Ontario Trust Company (note D) - - - - -	52.0%	6,762,000	8,684,000
Diversco Holdings and Industries Limited (note E) -	100.0%	2,600,000*	2,600,000
		<u>36,729,000</u>	<u>26,048,000</u>
Other associated companies—			
Peel-Elder Limited (note F) - - - - -	35.0%	16,605,000	11,950,000
Bakham Holdings Ltd. (note G) - - - - -	55.0%	594,000*	594,000
		<u>17,199,000</u>	<u>12,544,000</u>
Other companies, at cost - - - - -		5,686,000	7,401,000
		<u>\$59,614,000</u>	<u>45,993,000</u>
Joint realty developments, at equity (note H) - - - - -			2,194,000
Total investments - - - - -			<u>\$48,187,000</u>

*The shares of these companies are not traded on any stock exchange. For computation purposes carrying values have been included in lieu of market values.

**The pro forma quoted market value of shares of Peel-Elder Limited includes shares purchased subsequent to December 31, 1972 at their cost of \$5,000,000.

(See accompanying notes to consolidated summary of investments)

CONSOLIDATED SUMMARY OF INVESTMENTS
and
PRO FORMA CONSOLIDATED SUMMARY OF INVESTMENTS
DECEMBER 31, 1972

(with comparative figures of Hambro Corporation of Canada Limited
at March 31, 1972)

Hambro Canada (1972) Limited			Hambro Corporation of Canada Limited		
Pro-Forma December 31, 1972			March 31, 1972		
Percentages of shares controlled ***	Quoted market value (note A)	Carrying value	Percentages of shares controlled	Quoted market value (note A)	Carrying value
60.4%	\$27,367,000	\$14,764,000			
52.0%	6,762,000	8,684,000	9.9%	\$ 1,304,000	\$ 1,050,000
	<u>34,129,000</u>	<u>23,448,000</u>		<u>1,304,000</u>	<u>1,050,000</u>
45.8%	21,605,000**	16,950,000	15.0%	5,234,000	5,000,000
55.0%	594,000	594,000*	55.0%	62,000*	62,000
	<u>22,199,000</u>	<u>17,544,000</u>		<u>5,296,000</u>	<u>5,062,000</u>
	5,686,000	7,401,000		11,000,000	9,045,000
	<u>\$62,014,000</u>	<u>48,393,000</u>		<u>\$17,600,000</u>	<u>15,157,000</u>
		778,000			—
		<u>\$49,171,000</u>			<u>\$15,157,000</u>

***Certain stock options on treasury shares of Ontario Trust Company and Peel-Elder Limited are outstanding. Had these options been exercised at December 31, 1972, the Company's percentage of shares controlled at that date, would have been 57.4% and 33.8% respectively and on a pro-forma basis 57.4% and 44.3% respectively.

(See accompanying notes to consolidated summary of investments)

HAMBRO CANADA (1972) LIMITED

(formerly Canadian Goldale Corporation Limited)
AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED SUMMARY OF INVESTMENTS DECEMBER 31, 1972

- A. The quoted market values shown do not necessarily represent the value of entire blocks of investment holdings which may be more or less than the value indicated by market quotations.
- B. The shares of the associated companies may not be sold publicly without the prior consent of certain regulatory authorities. In addition, investments in other companies with a book value of \$610,000 at December 31, 1972 and a quoted market value of \$2,167,000 are held in escrow.

C. FOODEX SYSTEMS LIMITED

Foodex is a holding and operating company which directly and through wholly-owned subsidiaries is engaged in the restaurant and motor hotel industries as well as the accommodation and food catering business. A 56% owned subsidiary owns and operates three racetracks in the United States.

Net assets as at December 31, 1972:

Tangible assets - - - - -	\$30,920,000
Unallocated acquisition costs - - - - -	4,519,000
Goodwill and other intangible assets, at cost - - - - -	5,853,000
	<u>41,292,000</u>

Liabilities, including deferred income tax - - - - -	22,406,000
Minority interest - - - - -	5,226,000
	<u>27,632,000</u>

Foodex net assets at December 31, 1972 - - - - -	<u>\$13,660,000</u>
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Hambro '72 proportion of net assets (60.4%) - - - - -	\$ 8,250,000
Adjustment to carrying value, attributed to additional goodwill and other intangible assets not requiring amortization - - - - -	<u>6,514,000</u>

Carrying value at December 31, 1972 - - - - -	<u>\$14,764,000</u>
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Revenue and net income for the year ended December 31, 1972:

Revenue - - - - -	<u>\$36,150,000</u>
Net income before minority interest - - - - -	\$ 1,483,000
Minority interest in income of subsidiaries - - - - -	<u>452,000</u>
Net income for the year - - - - -	<u>\$ 1,031,000</u>

Hambro '72 share of net income included in consolidated earnings for the nine months ended December 31, 1972 - - - - -	<u>\$ 421,000</u>
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D. ONTARIO TRUST COMPANY

Ontario Trust is a loan and trust company offering full trust services including the accepting of demand and term deposits and the investing of deposited funds in securities and mortgage loans.

Net assets at December 31, 1972:

Assets, excluding amounts held for Estates, Trusts and Agencies - - - - -	\$ 136,149,000
Liabilities - - - - -	<u>126,329,000</u>
Ontario Trust net assets at December 31, 1972 - - - - -	<u>\$ 9,820,000</u>
Hambro '72 proportion of net assets (52.0%) - - - - -	\$ 5,106,000
Adjustment to carrying value attributed to goodwill which does not require amortization -	<u>3,578,000</u>
Carrying value at December 31, 1972 - - - - -	<u>\$ 8,684,000</u>
Total income and net income for the year ended December 31, 1972:	
Interest and other income - - - - -	<u>\$ 9,725,000</u>
Net income for the year- - - - -	<u>\$ 736,000</u>
Hambro '72 share of net income included in consolidated earnings for the nine months ended December 31, 1972 - - - - -	<u>\$ 185,000</u>

E. DIVERSCO HOLDINGS AND INDUSTRIES LIMITED

Diversco has interests in real estate, mortgages, lumber supply and a music teaching franchise business.

Net assets at December 31, 1972:

Tangible assets - - - - -	\$ 7,151,000
Liabilities - - - - -	<u>4,561,000</u>
Diversco net assets at December 31, 1972 - - - - -	2,590,000
Adjustment to fair value - - - - -	<u>10,000</u>
Carrying value at December 31, 1972 - - - - -	<u>\$ 2,600,000</u>
Total income and earnings for the fourteen months ended December 31, 1972:	
	Fourteen months ended December 31, 1972
Income - - - - -	<u>\$ 6,308,000</u>
Earnings for the period - - - - -	<u>\$ 118,000</u>
Hambro '72 share of net income included in consolidated earnings for the nine months ended December 31, 1972 - - - - -	<u>\$ 98,000</u>

F. PEEL-ELDER LIMITED

Peel-Elder is a major diversified real estate company engaged in land development, leasing and management and in new residential, industrial and commercial construction.

Net assets at December 31, 1972:

Tangible assets	- - - - -	\$ 56,688,000
Liabilities, including deferred income tax	- - - - -	32,685,000

Peel-Elder net assets at December 31, 1972	- - - - -	<u>\$ 24,003,000</u>
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Hambro '72 proportion of net assets at December 31, 1972 (35.0%)	- - - - -	<u>\$ 8,401,000</u>
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Adjustment to carrying value, attributed to assets not requiring amortization	- - - - -	3,549,000
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Carrying value at December 31, 1972	- - - - -	<u><u>\$ 11,950,000</u></u>
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Revenue and earnings for the year ended December 31, 1972:

Revenue	- - - - -	\$ 6,457,000
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Net income	- - - - -	<u>\$ 1,327,000</u>
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Hambro '72 share of net income included in consolidated earnings for the nine months ended December 31, 1972	- - - - -	<u><u>\$ 241,000</u></u>
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G. BAKHAM HOLDINGS LTD.

Bakham Holdings Ltd. is a holding company which owns approximately 97% of the shares of The Winnipeg Supply & Fuel Company, Limited. The latter company is involved in real estate development, fuel oil and building supplies distribution and other activities.

The Company owns 55% of the equity shares and 50% of the voting shares of Bakham Holdings Ltd.

Net assets at December 31, 1972:

Assets	- - - - -	\$ 8,593,000
Liabilities	- - - - -	6,024,000
		<u>\$ 2,569,000</u>

Hambro '72 proportion of net assets (55% of equity shares)	- - - - -	\$ 1,413,000
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Excess of share of net assets over carrying value which does not require amortization	- - - - -	(819,000)
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Carrying value at December 31, 1972	- - - - -	<u>\$ 594,000</u>
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Total sales and net income for the year ended December 31, 1972:

Sales	- - - - -	\$ 12,671,000
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Net income for the year (including extraordinary income of \$1,144,200)	- - - - -	<u>\$ 973,500</u>
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Hambro '72 share of net income included in consolidated earnings for the nine months ended December 31, 1972	- - - - -	<u><u>\$ 539,000</u></u>
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H. JOINT REALTY DEVELOPMENTS

A subsidiary is a participant in three realty developments—Cloisters Malton (50%), Cloisters Albion (50%) and Brant Hill Developments (75%).

In addition at December 31, 1972, the Company was a 50% participant with Peel Village Developments Co. Limited, a subsidiary of Peel-Elder Limited, in the acquisition and development of land for commercial, industrial and residential purposes (Peel Village Highlands) at Preston, Ontario.

These developments had assets of \$6,463,000 and liabilities of \$2,859,000 at December 31, 1972.

Subsequent to December 31, 1972 the interest in Peel Village Highlands was sold at an amount equal to the book value thereby reducing the Company's remaining equity in joint realty developments (being those described in the first paragraph above) to \$778,000.

CANADIAN GOLDALE CORPORATION LIMITED

SUMMARY OF FINANCIAL INFORMATION

FOR THE PERIOD FROM JANUARY 1, 1972 TO SEPTEMBER 30, 1972

The following summarizes the consolidated financial position of Canadian Goldale Corporation Limited and its subsidiary companies at September 30, 1972 and the results of their operations for the nine months then ended (1971 figures presented for comparative purposes are based on consolidated financial statements reported on without qualification by Collins, Love, Eddis, Valiquette & Barrow, Chartered Accountants, adjusted with respect to a provision of \$93,000 for prior years' income taxes).

FINANCIAL POSITION

	September 30, 1972	December 31, 1971
	(unaudited)	(restated)
ASSETS		
Cash and accounts receivable - - - - -	\$ 3,348,000	\$ 202,000
Mortgages - - - - -	2,402,000	2,475,000
Land and townhouses held for sale - - - - -	1,756,000	2,030,000
Income producing properties (net of accumulated depreciation) - - - - -	9,956,000	10,039,000
Investments—		
Ontario Trust Company—41.8%* (52.2%) - - - - -	5,837,000	5,301,000
Peel-Elder Limited—15.8%* (20.7%) - - - - -	3,956,000	3,476,000
Other- - - - -	1,851,000	9,683,000
Other - - - - -	93,000	79,000
	<u>\$29,199,000</u>	<u>\$33,285,000</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:

Bank indebtedness - - - - -	\$ 155,000	\$ 879,000
Mortgages, notes and debenture - - - - -	15,045,000	19,266,000
Other- - - - -	1,578,000	1,565,000
Minority interest - - - - -	242,000	211,000
	<u>17,020,000</u>	<u>21,921,000</u>

Shareholders' equity:

Capital stock-2,858,124 shares - - - - -	9,248,000	9,248,000
Contributed surplus - - - - -	605,000	605,000
Retained earnings - - - - -	2,326,000	1,511,000
	<u>12,179,000</u>	<u>11,364,000</u>
	<u>\$29,199,000</u>	<u>\$33,285,000</u>

*Percentage of voting shares owned at September 30, 1972 (December 31, 1971)

RESULTS OF OPERATIONS

	Nine months ended September 30, 1972 <u>(unaudited)</u>	Year ended December 31, 1971 <u>(restated)</u>
Revenue:		
Rentals from income-producing properties - - - - -	\$ 1,279,000	\$ 1,724,000
Land and townhouse sales - - - - -	700,000	2,271,000
Equity in income of associated companies - - - - -	376,000	426,000
Investment and other - - - - -	252,000	253,000
	<u>2,607,000</u>	<u>4,674,000</u>
Expenses:		
Operating expenses of income-producing properties (excluding interest and depreciation) - - - - -	695,000	924,000
Cost of land and townhouse sales - - - - -	579,000	2,040,000
Interest - - - - -	901,000	1,153,000
Depreciation - - - - -	93,000	124,000
Losses on mortgages and receivables - - - - -	605,000	—
Administrative and other - - - - -	300,000	168,000
Minority interest in income (loss) of subsidiaries - - - - -	(36,000)	22,000
Income taxes - - - - -	77,000	18,000
	<u>3,214,000</u>	<u>4,449,000</u>
Income (loss) before extraordinary items - - - - -	(607,000)	225,000
Extraordinary items - - - - -	1,422,000*	54,000
Net income - - - - -	<u>\$ 815,000</u>	<u>\$ 279,000</u>

*Extraordinary items consisted primarily of a gain (\$1,298,000) on the sale of shares of a subsidiary (Millmink Developments Limited) to a subsidiary of Peel-Elder Limited in September, 1972.

